

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CAMPBELL COUNTY,)
KENTUCKY WATER DISTRICT FOR)
AUTHORITY TO ACQUIRE AND TO)
OPERATE THE SILVER GROVE WATER)
DISTRIBUTION FACILITIES AT ITS)
EXISTING RATES; TO CONSTRUCT A)
CONNECTING WATER SUPPLY MAIN;)
AND TO ASSUME CERTAIN FINANCIAL)
OBLIGATIONS; AND, ALSO TO REIN-)
FORCE THE DISTRICT'S EXISTING)
HIGH AND LOW PRESSURE SERVICE)
SYSTEMS AS NEEDED)

CASE NO. 8505

O R D E R

On April 16, 1982, the Campbell County Water District ("District") filed an application for approval to acquire the water distribution facilities of the City of Silver Grove, Kentucky, ("City") for a purchase price of about \$24,950 and for approval to construct a water supply main to the City at a cost of about \$194,000. The current monetary reserves of the District are adequate for coverage of the costs of the acquisition and the supply main.

The City has received notice from its current supplier of water, The Chessie System Railroad, of its intention to discontinue supplying water as soon as another source of supply can be connected to the City.

Plans and specifications for the proposed improvements as prepared by Burgess and Niple, Limited, of Cincinnati, Ohio,

("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

A hearing was held in Frankfort, Kentucky, on June 22, 1982. There were no intervenors present at the hearing, and no protests were entered.

The Commission's Interim Order of August 4, 1982, found that the service area of the City was outside the service area boundaries of the District and ordered that the application be held in abeyance until the District's boundaries had been expanded to include those of the City.

On September 23, 1982, an Order was entered to remove this matter from the Commission's docket because of the District's failure to accomplish the annexation of the City's service area as required by KRS 74.110. The Order stated that this matter could be redocketed upon motion of the District and the filing of an Order of the Campbell County Judge Executive approving the annexation of the service area of the City. On November 12, 1982, the District satisfied the Commission's requirements for the redocketing of this matter and its motion for redocketing and approval of application is hereby sustained.

The Public Service Commission, after consideration of the application and all evidence of record and being advised, is of the opinion and finds that:

1. The acquisition of the City's water distribution system by the District is in the public interest in that

the District's water system is the most feasible source of supply available to the City and operations of the combined systems should be more efficient and effective in the providing of water services than operation of separate systems. Further, the District, by acquisition of the City's 350 customers, will expand the revenue base for production of its revenue requirements and the City by virtue of the water storage existing within the District will not need to construct additional water storage tanks at this time.

2. The conveyance agreement provides reasonable terms for consummation of the proposed conveyance of the City's facilities to the District. The District will maintain and operate the City's facilities as if the final conveyance had taken place upon receipt of this Order although it is not scheduled to occur until the year 2005 when all of the City's waterworks bonds are retired.

3. The District's total cost to provide water service to the City at this time is about \$218,950. This includes about \$194,000 for construction of a water supply main and \$24,950 for the purchase of U. S. Treasury Bonds^{1/} to defease one-half of the outstanding bonds on the City's water distribution system. The other one-half of the cost of defeasement will be borne by the City.

^{1/} The District and the City have jointly participated in the purchase of U. S. Treasury Bonds with face value of \$45,000 at a purchase cost of \$49,900. The bonds will return annual interest of 15 3/4 percent.

4. The City is ready, willing and able to convey its waterworks facilities to the District.

5. The District is ready, willing and able to acquire the City's waterworks facilities and provide continuing operations and maintenance for the benefit of the customers now served by the City.

6. The rates now charged for water services by the City are the same as those charged by the District. The uniform rate structure of the District should not, therefore, be altered by acquisition of the City's customers.

7. The District's service area boundaries, by Order of the Campbell County Judge Executive dated November 5, 1982, have been expanded to include the City's water service area.

8. The acquisition of the assets and liabilities of the City's waterworks facilities should be reflected in the District's annual reports filed with this Commission.

9. Public convenience and necessity require that the construction proposed in the application and record be performed, and that a certificate of public convenience and necessity be granted.

10. The proposed water main construction includes 8,850 feet of 8-inch ductile iron pipe, 1,900 feet of 6-inch ductile iron pipe, other appurtenances and miscellaneous construction.

11. Any construction deviations from the contract plans and specifications herein approved which could adversely

affect service to any customer should be subject to the prior approval of this Commission.

12. The District should obtain approval of this Commission before any major construction for the purpose of upgrading its high and low service areas is begun. The study made by the District's Engineer is a part of the record in this matter.

13. The District should furnish duly verified documentation of the total cost of this construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

14. The District's contract with its Engineer should require the provision of full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. This supervision and inspection should insure that the construction work is done in accordance with the contract plans and specifications and in conformance with the best practices of the construction trades involved in the project.

15. The District should require the Engineer to furnish a copy of the record plans and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the date of substantial completion of this construction.

IT IS THEREFORE ORDERED that the proposed conveyance of the City's waterworks facilities to the District as set forth in the application and record in this case be and it hereby is approved.

IT IS FURTHER ORDERED that the rates charged the City's former customers be the same as the District's existing rates as set by Order of this Commission entered May 16, 1980, in Case No. 7766.

IT IS FURTHER ORDERED that future annual reports filed with this Commission by the District shall reflect the acquisition of the assets and liabilities of the City's waterworks facilities.

IT IS FURTHER ORDERED that the District be and it hereby is granted a certificate of public convenience and necessity to proceed with the water supply main construction project as set forth in the plans and specifications of record herein.

IT IS FURTHER ORDERED that any deviations from the approved construction which could adversely affect the service to any customer shall be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED that the District shall file with this Commission duly verified documentation which shows the total costs of the construction herein certificated including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

IT IS FURTHER ORDERED that the contract between the District and its Engineer shall require the provision of full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. This supervision and inspection shall insure that the construction work is done in accordance with the contract plans and specifications and conforms with the best practices of the construction trades involved in the project.

IT IS FURTHER ORDERED that the District shall require the Engineer to furnish the Commission with a copy of the record drawings and a signed statement that the construction has been satisfactorily completed and done in accordance with the contract plans and specifications within 60 days of the date of substantial completion of the proposed construction.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 7th day of January, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary